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2010 MAY -4 P 4: 39

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

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A Professional Corporation  
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3003 North Central Avenue, Suite 2600  
Phoenix, Arizona 85012  
Telephone (602) 916-5000

Attorneys for Payson Water Company

**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER COMPANY FOR  
APPROVAL OF A WATER  
AUGMENTATION SURCHARGE TARIFF  
(MESA DEL CABALLO SYSTEM)

DOCKET NO: W-03514A-10-0116

IN THE MATTER OF THE NOTICE OF  
FILING OF PAYSON WATER COMPANY'S  
PROPOSED CHANGES TO ITS  
CURTAILMENT TARIFF (MESA DEL  
CABALLO SYSTEM)

DOCKET NO: W-03514A-10-0117

**NOTICE OF FILING**

Payson Water Company, an Arizona public service corporation ("Payson Water" or "the Company"), hereby submits this Notice of Filing in the above-captioned matter. Attached hereto as **Exhibit A** is the Affidavit of Robert T. Hardcastle, which certifies that on March 31, 2010 the Company mailed to its customers notice regarding Payson Water's Application for Approval of Water Augmentation Surcharge Tariff and Notice of Filing Proposed Changes to Curtailment Tariff.

Arizona Corporation Commission

**DOCKETED**

MAY - 4 2010

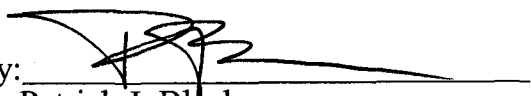
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RESPECTFULLY SUBMITTED this 4 day of May, 2010.

FENNEMORE CRAIG, P.C.

By:   
Patrick J. Black  
Attorneys for Payson Water Company

**ORIGINAL** and 15 copies filed  
this 4 day of May, 2010, with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

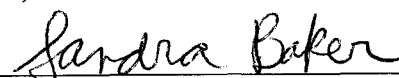
**COPY** hand-delivered  
this 4 day of May, 2010, to:

Marc E. Stern, ALJ  
Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Kimberly Ruht, Esq.  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

**COPY** mailed  
this 4 day of May, 2010, to:

Mesa Del Water Committee  
c/o El Caballo Club, Inc.  
8119 Mescalero  
Payson, Arizona 85541

By: 

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# EXHIBIT

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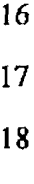
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# EXHIBIT

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**NOTICE OF FILINGS – PAYSON WATER COMPANY**

Application for Approval of Interim Water Augmentation Surcharge  
and  
Notice of Filing Revised Curtailment Tariff

[Mesa del Caballo System]

Dear Customer –

On March 30, 2010, Payson Water Company filed with the Arizona Corporation Commission (“ACC”) an application for Approval of an Interim Water Augmentation Surcharge (“Surcharge”), and a Notice of Filing Revised Curtailment Tariff (“Tariff”), applicable to its Mesa del Caballo water system. Developed in conjunction with the Mesa del Caballo Water Committee (“Committee”), the proposed interim Surcharge would allow Payson Water Company to pass through the direct costs of water augmentation service in the event groundwater supplies are insufficient to serve the Mesa del Caballo subdivision while a longer term plan is developed. The proposed Tariff, which was also developed in conjunction with the Committee, modifies current water curtailment requirements and specifies when water augmentation is necessary to supplement water production.

Payson Water Company has requested the ACC to process the application and notice on an expedited basis so that a mechanism is in place for cost recovery before any summertime water shortages need to be addressed. The company has absorbed the costs of its 2009 water augmentation activity on behalf of customers. The company is requesting that any future water augmentation costs be passed directly through to customers, on an interim basis and without any profit or markup to Payson Water Company whatsoever, until a permanent rate case and long-term water supply solution can be established with approval from the ACC.

A copy of the Application and Notice can be found at the ACC’s website at [www.azcc.gov](http://www.azcc.gov). To request a written copy of either document, please call the company’s Call Center at (800) 270-6084. We encourage you to participate in the ACC proceedings so that any questions or concerns can be appropriately addressed as part of the public process. The company has requested that a hearing on its Application be held no later than 20 days after it was filed with the ACC.